MANAGEMENT'S REPORT

The Management of the City of Whitehorse is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. Management, in accordance with Canadian generally accepted accounting principles for municipalities, has prepared the consolidated financial statements. The preparation of the consolidated financial statements necessarily includes some amounts based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the financial statements.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, and that the integrity of financial records is maintained.

BDO Dunwoody LLP has audited the consolidated financial statements. Their report to the Mayor and City Council, stating the scope of their examination and opinion of the consolidated financial statements, follows.

Dennis Shewfelt
City Manager

Robert Fendrick, B. Comm., CGA, M.P.A.
Director of Administrative Services

May 12, 2006

AUDITORS' REPORT

His Worship the Mayor,

Council and Ratepayers

of the City of Whitehorse:

We have audited the Consolidated Statement of Financial Position of the City of Whitehorse as at December 31, 2005, and the Consolidated Statements of Financial Activities, Investment in Physical Assets, Reserve Funds and Cash Flow for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the City of Whitehorse as at December 31, 2005 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Whitehorse, Yukon

CHARTERED ACCOUNTANTS

March 17, 2006

CITY OF WHITEHORSE
Consolidated Statement of Financial Activities
year ended December 31, 2005

	2005 Actual	2005 Budget	2004 Actual
REVENUE			
Taxes and payments in lieu of taxes	$ 19,353,947	$ 19,208,200	$ 18,684,661
Government grants	16,692,698	13,295,600	23,753,907
Sales of goods and services	7,927,755	8,041,700	7,370,143
Licenses, permits, penalties and fines	1,335,159	1,194,700	1,417,529
Developers Contributions	589,945	1,252,000	373,500
Investment income	599,813	532,900	778,114
Other revenues	1,521,675	216,500	600,997
	$ 48,020,992	$ 43,741,600	$ 52,978,851
EXPENDITURE			
General government services	$ 6,012,849	$ 6,195,100	$ 6,093,999
Protective services	4,058,258	4,095,000	3,885,205
Transportation services	6,479,117	6,192,700	6,272,850
Environmental services	3,499,232	3,394,500	3,396,479
Public health services	149,505	122,200	141,583
Community development services	1,053,009	1,034,200	1,033,457
Recreation and cultural services	6,353,800	6,182,300	5,064,503
Debenture interest	360,576	361,600	433,125
Property and equipment acquisition	17,390,213	19,618,000	20,855,051
Capital maintenance & other expenditures	1,377,273	733,000	1,909,257
	46,733,832	47,928,600	49,085,509
Surplus (Deficiency) before debt	1,287,160	(4,187,000)	3,893,342
Debenture principal repayment	(835,258)	(835,300)	(1,157,002)
Long term payable repayment	(205,165)	(205,000)	(229,550)
Increase in long term payable	(90,618)	-	(90,618)
Debenture proceeds	-	340,000	-
Change in Financial Equity	$ 156,119	$ (4,887,300)	$ 2,416,172
Financial Equity, beginning of year	19,382,772	16,635,800	17,605,467
Adjustment to prior years	0	0	(638,867)
Financial Equity beginning of year restated	19,382,772	16,635,800	16,966,600
Financial Equity, end of year	$ 19,538,891	$ 11,748,500	$ 19,382,772

The accompanying notes are an integral part of these financial statements

CITY OF WHITEHORSE

Consolidated Statement of Financial Position

as at December 31, 2005

	2005	2004
FINANCIAL ASSETS		
Cash	$ 247,044	$ 327,753
Investments (Note 9)	18,208,626	19,290,666
Accounts receivable	3,065,200	3,372,954
Grants receivable		
Government of Canada	541,287	1,921,718
Government of Yukon	3,321,288	1,038,684
Other financial assets	46,584	244,547
	25,430,029	26,196,322
Financial Liabilities		
Accounts payable	4,319,511	3,958,225
Employee future benefits (note 12)	836,962	847,955
Landfill closure & post closure liability (Note 10)	77,935	67,991
Deferred revenue	601,670	656,541
Deposits	55,060	1,282,838
Long term debt (Note 2)	4,881,847	5,717,105
Other long term payables	271,857	567,640
	11,044,842	13,098,295
Net Financial Assets	$ 14,385,187	$ 13,098,027
PHYSICAL ASSETS		
Inventory	250,736	300,545
Property and Equipment	240,000,564	225,186,046
Total Physical Assets	240,251,300	225,486,591
NET POSITION	254,636,487	238,584,618
Financial Equity		
Operating Surplus	88,213	60,816
Reserves for future expenditures	19,429,557	19,862,344
Add: Recoverable Reserve	271,857	362,476
Less: Unfunded employee future benefits	-	(602,319)
Less: Inventory	(250,736)	(300,545)
Net Financial Equity	19,538,891	19,382,772
Investment in physical assets	235,097,596	219,201,846
NET POSITION	$ 254,636,487	$ 238,584,618

Approved by: _____

Deputy Treasurer

The accompanying notes are an integral part of these financial statements

CITY OF WHITEHORSE

Consolidated Statement of Investment In Physical Assets

year ended December 31, 2005

	2005 Actual	2004 Actual
Balance, beginning of year	$ 219,201,846	$ 198,699,728
Contributions for acquisition of property and equipment		
From operating & reserves	17,390,213	20,855,051
Contribution from operating for debt repayment	1,131,041	1,477,170
Reduction of property and equipment		
Cost of assets disposed	-	(114,570)
Amortization	(2,575,695)	(1,749,886)
Change in inventory	(49,809)	34,353
Balance, end of year	$ 235,097,596	$ 219,201,846

The accompanying notes are an integral part of these financial statements

CITY OF WHITEHORSE

Consolidated Statement of Reserve Funds

year ended December 31, 2005

	2005 Actual	2004 Actual
SOURCES OF FUNDING		
Contributions from developers and others	$ 1,767,250	$ 381,017
Transfer from operations	7,620,926	6,575,524
Income from investments	36,421	35,201
TOTAL SOURCES OF FUNDING	9,424,597	6,991,742
EXPENDITURE		
Transfer to fund capital projects	8,858,297	4,339,803
Transfer to fund operations	999,087	187,780
TOTAL EXPENDITURE	9,857,384	4,527,583
NET INCREASE (DECREASE) IN RESERVE FUNDS	(432,787)	2,464,159
Reserve Fund Balance, begining of Year	19,862,344	17,398,185
RESERVE FUND BALANCE, END OF YEAR	$ 19,429,557	$ 19,862,344

The accompanying notes are an integral part of these financial statements

CITY OF WHITEHORSE

Consolidated Statement of Cash Flow

year ended December 31, 2005

	2005 Actual	2004 Actual
OPERATING ACTIVITIES		
Increase (decrease) in financial equity	$ 156,119	$ 2,416,172
Change in operating assets and liabilities		
Accounts receivable	307,754	(770,418)
Grants receivable	(902,173)	(1,593,574)
Other financial assets	197,963	(11,201)
Accounts payable	361,286	1,347,398
Employee future benefits	(10,993)	-
Landfill closure liability	9,944	67,991
Deposits	(1,227,778)	1,238,718
Deferred revenue	(54,871)	(24,863)
Cash flow from operating activities	(1,162,749)	2,670,223
INVESTING ACTIVITIES		
(Increase) decrease in investments	1,082,040	(2,764,237)
Cash flow from investing activities	1,082,040	(2,764,237)
Increase (decrease) in cash	(80,709)	(94,014)
Cash beginning of year	327,753	421,767
Cash, end of year	$ 247,044	$ 327,753

The accompanying notes are an integral part of these financial statements

1. Significant Accounting Policies

Basis of Presentation

The Financial Statements of the City of Whitehorse are prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Investments

Current temporary investments recorded at cost carry interest rates of between 2.59 % and 4.00 %.
In 2004 investments carried interest rates of between 2.51% and 6.60 %
Investments by type and amount are:

	2005	2004
Bankers Acceptance	$7,355,074	$7,149,954
Commercial Paper	9,128,241	4,976,452
Fixed Deposit	1,714,782	2,467,178
Government Bonds	0	4,696,288
Cash Equivalents	10,529	794
TOTAL	$18,208,626	$19,290,666

	2005	2004
Market Value of Investments	$18,224,546	$19,392,795

Inventory

Inventories are valued at the cost of acquisition.

Government Grants

Government grants/transfers are recognized in the period in which events giving rise to the grant/transfer occur, providing they are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Property and Equipment

Property and equipment is recorded at historical cost. Buildings are amortized on a straight-line basis over 40 years. Machinery, Equipment & Vehicles are amortized on a straight-line basis from 3 to15 years. The amortization of Engineering Structures has been deferred pending the determination of the value of assets transferred from Senior governments.
Costs related to property and parks and administrative studies that do not add to the value of a capital asset are not capitalized. Such costs are expensed under the caption "Capital maintenance".

Deferred Revenue
Deferred revenue includes prepaid frontage tax received from property owners. The current year's portion of the prepaid tax is calculated on a straight-line basis. Each year the current portion is recognized as revenue when the City remits its annual payment for the frontage debenture. Other prepaid revenue items are also included in this amount.

Basis of Accounting
Revenues and expenditures are reported on the accrual basis of accounting. Revenues are recognized as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. A single fund is maintained for accounting purposes. All assets, liabilities, revenues and expenditures of the City are recorded in this fund. Separate Capital or reserve funds are not maintained.

2. Long Term Debt

Long-term debt is issued on the credit and security of the City of Whitehorse. It is composed of debentures payable to the Government of Yukon and a loan payable to the Royal Bank with various interest rates from 4.872% to 11.375%. Current debt load is 12% of the statutory limit as stipulated in the Yukon Municipal Act.

	2005	2004
Balance as at January 1	$5,717,105	$6,874,107
Add: Borrowing	0	0
Less: Principal Repayments	(835,258)	(1,131,850)
	4,881,847	$5,742,257
Add: Temporary borrowing	0	(25,152)
Balance as at December 31	$4,881,847	$5,717,105

Retirement requirements for the next thirteen years are as follows:

	Principal	Interest
2006	$775,241	$304,585
2007	661,159	248,635
2008	616,789	202,855
2009	601,562	162,924
2010	490,019	123,990
2011 - 2016	1,737,077	253,966
TOTAL	$4,881,847	$1,296,955

3. Contingent Liabilities

At December 31, 2005, contingent liabilities exist because there are legal actions pending against the City. The amount of the liability cannot be estimated at this time. The amount of any loss that may result from these claims will be recorded in the period that the amount becomes determinable.

4. Financial Instruments

The City's financial instruments consist of cash, investments, accounts receivable, grants receivable, other financial assets, accounts payable, long term debt and other long term payables. Unless otherwise noted, it is Management's opinion that the City of Whitehorse is not exposed to significant interest, currency or credit risks arising from these financial instruments.

5. Pension Liability

Currently, employees contribute to a privately managed registered retirement savings plan. The City of Whitehorse does not contribute to this plan and therefore has no liability.

6. Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during that period.

7. Statement of Expenditure by Object

	2005	2004
Salaries, wages and benefits	$16,787,356	$15,842,774
Contracted and general services	4,116,736	4,009,292
Materials, goods, supplies and utilities	5,627,476	5,152,128
Grants to individuals and organizations	1,074,202	883,882
Interest payments on debentures	360,576	433,125
Property and equipment	18,767,486	22,764,308
TOTAL	$46,733,832	$49,085,509

8. Reserve Funds

Certain reserve funds comprise funds set aside for specific purposes by legislation, regulation or agreement and are as outlined below:

	2005	2004
Area Development Scheme Reserve	$ 39,771	$ 90,324
Cash In Lieu of Municipal Reserve	113,890	88,269
Cemetery Perpetual Care Reserve	64,283	57,179
Development Cost Charges Reserve	1,886,806	1,543,685
Landfill Closure Reserve	81,861	177,649
	2,186,611	1,779,457
Unrestricted Funds	16,022,015	17,511,209
TOTAL	$18,208,626	$19,290,666

9. Landfill closure and post closure liability

The City has estimated that the remaining life of its landfill is 73 years based on present annual use and incorporating medium population growth projections. The estimate of closure and post closure costs in 2004 is $10.049 million. Using a 2% annual inflation rate, closure and post closure costs are estimated at $43.5 million in 2078. Approximately 10.7% of the capacity of the landfill has been used as at December 31, 2005. The present value of this liability has been estimated at $77,935 and a reserve has been established to address funding for the future liability of closure and reclamation of the City's landfill.

12. Employee future benefits

The City has adopted the recommendation of PSAB in respect of post-employment benefits, compensated absences and termination benefits. Agreements with City employees provide for the accumulation of severance credits that are paid out upon resignation or retirement. The amounts are calculated based upon employee's years of service. The City records an actuarial estimate of this liability based upon the projected periods that amounts will be paid out. A discount rate of 7% is applied in the determination of present values.